Testimony of
Jack Roney and Jackie Theriot on Behalf of the
U.S. Sugar Industry

"The U.S. Sugar Industry's Position on the Proposed FTAA"

Committee on Agriculture
U.S. House of Representatives
Washington, D.C.
May 23, 2001

Mr. Chairman, Mr. Stenholm, Members of the Committee: Thank you for the opportunity to testify before you today on a matter of considerable concern to the U.S. sugar industry.

I am Jack Roney, Director of Economics and Policy Analysis for the American Sugar Alliance, the national coalition of growers, processors, and refiners of sugarbeets, sugarcane, and corn for sweetener, based here in Washington. I am accompanied by Jackie Theriot, president of the American Sugar Cane League, based in Thibodaux, Louisiana. Mr. Theriot has considerable experience in developing-country agriculture and has traveled extensively in Latin America, including Brazil. We are proud to represent the views of the American sugar-producing industry – 172,000 farmers, workers, and their families in 27 states.

I would like to provide you some background on the U.S. and world sugar markets and describe the U.S. sugar industry's position on multilateral trade negotiations and on the proposed Free Trade Area of the Americas (FTAA).

Background on U.S. and World Sugar Markets, Policies

Before moving on to our trade policy recommendations, it is important to provide some background on the unique characteristics of the U.S. and world sugar market and policies.

Size and Competitiveness. Sugar is grown and processed in 16 states and 420,000 American jobs, in 42 states, are dependent, directly or indirectly, on the production of sugar and corn sweeteners. The industry generates an estimated

$26.2 billion in economic activity annually.[1] A little more than half of domestic sugar production is from sugarbeets, the remainder from sugarcane. More than half our caloric sweetener consumption is in the form of corn sweeteners.

The United States is the world's fourth largest sugar producer, trailing only Brazil, India, and China. The European Union (EU), taken collectively, rivals Brazil as the world's largest producing region.

Despite large U.S. production, the United States' sugar market is one of the most open. The U.S. is consistently among the world's three or four largest sugar importers.

The Uruguay Round Agreement on Agriculture in 1995 required imports of only 3-5 percent of consumption. But the United States bound its sugar imports at a level several-fold higher -- a minimum of 1.256 million short tons, or nearly 15 percent of consumption, essentially duty-free. The U.S. actually imported nearly twice the minimum in 1996 and 1997, and has imported at least the minimum each year since.

Moreover, the NAFTA requires the United States to import up to 276,000 additional short tons from Mexico. Under both agreements, the U.S. must import this sugar whether the domestic market requires it or not.

All but one of the 41 countries supplying sugar to the United States are developing countries, many with fragile economies and democracies. These countries depend heavily on sales to the United States, at prevailing U.S. prices, to cover their costs of production and generate foreign exchange revenues. More than half of these 41 countries produce sugar at a higher cost than U.S. beet and cane sugar producers.

Despite some of the world's highest government-imposed costs for labor and environmental protections, U.S. sugar producers are among the world's most efficient. According to a study recently released by LMC International, of England, and covering the 5-year period ending in 1998/99, American sugar producers rank 28th lowest in cost of production among 102 producing countries, most of which are developing countries.[2] According to LMC, more than half the world's sugar is produced at a higher cost per pound than in the United States.

U.S. beet producers are the second lowest cost beet sugar producers in the world. U.S. cane sugar producers are 26th lowest cost of 63 cane producing countries, virtually all of which are developing countries with dramatically lower labor and environmental costs. American corn sweetener producers are the world's lowest cost producers of corn sweetener.

LMC pointed out that the U.S. competitiveness ranking is all the more impressive for two reasons: First, most sugar-producing countries are developing-country cane producers, with much lower government-imposed labor and environmental protection costs than the United States'. Second, the strong value of the dollar. LMC noted that the dollar has soared about two-thirds in the past 20 years against the currencies of most other cane-producing countries.

World Dump Market. More than 120 countries produce sugar and the governments of all these countries intervene in their sugar markets and industries in some way, the result of which is artificially low world sugar prices. Examples abound. Brazil, the world biggest producer and exporter, built its sugar industry on two decades of fuel alcohol subsidies, which became sugar subsidies, whether the Brazilian cane was used for alcohol or sugar. Sugar markets in India and China, the second and third biggest producing countries, are controlled by state trading enterprises, as is Australia's, the world's third leading sugar exporter.[3] *(Figures 1 and 2, from an LMC International study, provide market data and highlight some of the trade-distorting practices among the major sugar producers of the FTAA region.[4])*

Producers in the EU, taken as a whole the second biggest producer and exporter, benefit from massive production and export subsidy programs. The Europeans are higher cost sugar producers than the United States, but they enjoy price supports that are 40% higher than U.S. levels -- high enough to generate huge surpluses that are dumped on the world sugar market, for whatever price they will bring, through an elaborate system of export subsidies. In some years, EU export subsidies alone run over 20 cents per pound, higher than the entire raw cane sugar support level in the United States.

World trade in sugar has always been riddled with unfair trading practices. These distortions have led to a disconnect between the cost of production and the prices on the world sugar market, more aptly called a "dump market." Indeed, for the 16-year period of 1983/84 through 1998/99, the most recent period for which cost of production data are available, the world average cost of producing sugar was 16.3 cents, while the world dump market price averaged little more *half* that -- just 9.5 cents per pound raw value[2].

Furthermore, its dump nature makes sugar the world's most volatile commodity market. In the past two decades, world sugar prices have soared above 60 cents per pound and plummeted below 3 cents per pound. Because it is a relatively thinly traded market, small shifts in supply or demand can cause huge changes in price.

Suggestions by industrial sugar users and some foreign governments that world sugar trade should be opened ignore this pattern of almost universal market distortion. Even the trade laws of the United States were never meant to cope with such widespread unfairness in trade.

Sugar Unique among Agricultural Commodities. In addition to the highly residual and volatile nature of the world sugar price, there are a number of other factors that set sugar apart from other program commodities. These unique characteristics must be taken into account when considering domestic and trade policy options for sugar.

- *Grower/processor interdependence*. Grain, oilseed, and most other field-crop farmers harvest a product that can be sold for commercial use or stored. Sugarbeet and sugarcane farmers harvest a product that is highly perishable and of no commercial value until the sugar has been extracted. Farmers cannot, therefore, grow beets or cane unless they either own, or have contracted with, a processing plant. Likewise, processors cannot function economically unless they have an optimal supply of beets or cane. This interdependence leaves the sugar industry far less flexible in responding to changes in the price of sugar or of competing crops.

- *Multi-year investment*. The multimillion-dollar cost of constructing a beet or cane processing plant (approximately $300 million), the need for planting, cultivating, and harvesting machinery that is unique to sugar, and the practice of extracting several harvests from one planting of sugarcane, make beet or cane planting an expensive, multiyear investment. These huge, long-term investments further reduce the sugar industry's ability to make short-term adjustments to sudden economic changes in the marketplace.

- *High-value product*. While the *gross* returns per acre of beets or cane tend to be significantly higher than for other crops, critics often ignore the large investment associated with growing these crops. Compared with growing wheat, for example, USDA statistics reveal the *total economic cost* of growing cane is nearly seven times higher, and beet is more than five times higher. With the additional cost for processing the beets and cane, sugar is really more of a high-value product than a field crop.

- *Inability to hedge*. The 1996 Freedom to Farm Bill made American farmers more vulnerable to market swings and far more dependent on the marketplace. Growers of grains, oilseeds, cotton, and rice can reduce their

vulnerability to market swings by hedging or forward contracting on a variety of futures markets for their commodities. There is *no* futures market for beets or cane. Farmers do not market their crop and cannot make or take delivery of beet or cane sugar. The hedging or forward contracting opportunities exist only for the processors -- the sellers of the sugar derived from the beets and cane. These marketing limitations make beet and cane farmers more vulnerable than other farmers to price swings.

- *Lack of concentration*. World grain markets are overwhelmingly dominated by a small number of developed countries, but sugar exports are far more dispersed, and dominated by developing countries. This makes the playing field among major grain exporters comparatively level and trade policy reform relatively less complicated than for sugar.

  The world wheat and corn markets, for example, are heavily dominated by a handful of developed-country exporters – the United States, the European Union, Australia, and Canada are four of the top five exporters of each. The top five account for 96% of global corn exports and 91% of wheat exports.

  The top five sugar exporting countries, on the other hand, account for only two-thirds of global exports and three of these are developing countries. Even the top 19 sugar exporters account for only 85% of the market, and 16 of these are developing countries.

- *Developing-country dominance*. Developing countries account for 73% of world sugar production and 69% of both exports and imports. Developing countries were, however, not required to make any significant reforms in the Uruguay Round, were given an additional four years to make even those modest changes, and are demanding special treatment again in the next trade round.

U.S. Sugar Industry's Free Trade Position

Because of our competitiveness, the U.S. sugar industry endorses the goal of genuine, multilateral free trade in sugar. We have endorsed this goal since the onset of the Uruguay Round of the GATT in 1986. We are ready, willing, and able to compete with foreign farmers on a level playing field, free from all forms of government intervention in the marketplace.

In our view, when all governmental policy distortions have been removed, the world sugar price will finally rise to reflect the actual cost of producing sugar.

Since our costs of production are below the world average, we will be able to compete, without the need for a U.S. sugar policy.

We cannot endorse free trade at any cost, nor do we endorse unilateral disarmament of U.S. agricultural polices. Progress toward free trade must be made on a fair, genuine, and comprehensive basis. A comprehensive agreement needs to address the market distortions of all the producers and the further opening of net importing markets like the United States on the same schedule. Advancing one before the other will only reward market distortions at the expense of market-based policies.

As long as foreign subsidies drive prices on the world market well below the global cost of production, the United States must retain some border control. U.S. sugar policy is a necessary response to the foreign predatory pricing practices that threaten the more efficient American sugar farmers.

Genuine liberalization of trade in sugar must address all market distortions and circumvention, not just import barriers. This will take some doing – the varieties of trade distortions are so widespread, so numerous, and so ingrained. Bilateral and regional trade agreements are able to address only a fraction of these policies, if they address sugar at all.

U.S. Sugar Industry Position on the FTAA

The U.S. sugar industry recommends that, within the framework of the FTAA, sugar be reserved for much needed, and more far reaching, disciplines in the multilateral, World Trade Organization (WTO) context.

We note that the Administration, other U.S. commodity groups, and other sugar-producing countries share the view that agricultural trade distortions may better be addressed in the multilateral context, rather than in the bilateral or regional negotiations.

The following are the major reasons for, and advantages of, reserving sugar for WTO disciplines.

1. **FTAA countries already dominate U.S. sugar imports.** With regard to granting FTAA countries preferential access to the U.S. sugar market: We are already there. Forty-one countries share in the U.S. sugar import quota, with essentially duty-free access at the preferential U.S. price. Twenty-two of these 41 are FTAA countries. The FTAA countries account for 65 percent of U.S.

sugar imports, virtually all duty free. If Mexico were to supply its full 276,000 short tons, the FTAA-country share of U.S. imports rises to 80 percent.

Furthermore, according to LMC statistics, most of the FTAA countries produce sugar at a higher cost per pound than the United States.[2] Twenty-four of the 34 FTAA countries import little, or no, sugar. American sugar producers feel strongly that their market is already more open than necessary to producers who are predominantly no more efficient, but are most probably subsidized in some significant manner.

2. **FTAA countries likely to be overrun with subsidized Brazilian sugar**. Since Brazil is the largest exporter in the world, and represents two-thirds of the economy of Latin America, an FTAA negotiation on sugar will be dominated by the impact of Brazil. Moreover, because of the threat of unfairly produced Brazilian sugar overrunning the Western Hemisphere, growers in all of the sugar-producing countries in the region are threatened by Brazilian market distortions in sugar. Finally, the size and complexity of the Brazilian sugar and alcohol program are such as to make this program very difficult to unwind.

   During the latter half of the 1990's, a period when the world sugar price was dropping from 14 cents per pound to just 4 cents, Brazil doubled its sugar production and tripled its exports. It became, by far, the world's leading producer and exporter of sugar.

   Brazil's sudden expansion had nothing to due with world sugar demand or prices. Brazil's sugar explosion, instead, was the result of decisions by the Brazilian government to reduce subsidies and prices for fuel alcohol (ethanol) produced from Brazilian sugarcane. Brazilian cane processors tend to base their decision on whether to produce ethanol or sugar mainly on ethanol price and subsidy levels. Less than half of Brazilian sugarcane is used to produce sugar. Roughly 60 percent of Brazilian cane goes to ethanol production.

   Brazil's "Proalcool" program, established in 1975, subsidized the modification or construction of a massive network of cane mill/distilleries to produce ethanol and reduce Brazil's dependence on foreign oil. Consumer prices for ethanol were subsidized to encourage use. As a result, Brazilian sugarcane production shot up from less than 70 million tons in 1975 to nearly 350 million tons last year. Studies have estimated the value of Brazil's ethanol subsidy at more than $3 billion per year. [5]

The existence of an enormous infrastructure of mills/distilleries, built with government subsidy, enables Brazil to switch easily between ethanol and sugar production, depending on oil prices and government decisions on how much ethanol to produce. The leap in Brazilian sugar production in the latter half of the 1990's, as world sugar prices were plummeting, was the direct result of government decisions to reduce ethanol subsidies and prices.

Brazil's sugar-export explosion in the late 1990's was also aided by a government decision during that period to reduce the value of the Brazilian currency by nearly 50 percent, artificially keeping Brazilian exports competitive.

Furthermore, Brazil's sugar producers have benefited, directly or indirectly, from other government assistance, including:

- Debt reductions or cancellations for sugar/ethanol companies.
- Freight and other infrastructural subsidies for sugar, ethanol, and other products.
- Direct subsidies to growers in the Northeast region.
- Labor and environmental practices that are extremely low by most world standards.
    - The U.S. Department of Labor and others have documented the widespread and deplorable use of child labor in the Brazilian sugarcane industry, despite Brazilian laws forbidding such practices.[6,7,8,9,10]

Under these circumstances, attacking sugar in the FTAA will require devoting significant resources to the sugar issues, virtually as much as would be needed for the sugar subject to be adequately addressed in comprehensive, global sugar negotiations in the WTO.

3. **Sugar is *not* included in most bilateral and regional agreements.** Because of the uniquely distorted nature of the world dump market for sugar and because of a wide range of border control issues, sugar has overwhelmingly been excluded from bilateral and regional free trade agreements. The Food and Agriculture Organization of the United Nations noted last year: "There are

124 regional trade agreements worldwide at this time, most of which substantially exclude sugar."[11] Some examples:

- Sugar is excluded from the Mercosur agreement among major producers Argentina and Brazil, with Uruguay and Paraguay.

- Though Mexico reportedly has more bilateral and regional trade agreements than any other country, it has excluded sugar from virtually every one, including its recent agreement with the European Union, the world's second largest exporter of sugar.

- Sugar is excluded from the U.S.-Canada portion of the NAFTA, which defers to WTO disciplines instead.

- Sugar is excluded from the EU's free trade agreement with South Africa, also a major sugar exporter.

NAFTA Controversy. Sugar is included in the U.S.-Mexico portion of the North American Free Trade Agreement (NAFTA), but the sweetener provisions are embroiled in controversy. Mexico is blocking imports of U.S.-made corn sweeteners that compete with sugar in Mexico, and Mexico insists on accelerating the NAFTA schedule of its sugar access to the U.S.

In addition, we have experienced import leakage -- of blended product from Canada and above-quota sugar from Mexico.

Our experience with Mexico in the NAFTA has left American sugar producers highly skeptical of the value and credibility of trade agreements, and more cautious about moving forward in bilateral, regional, or multilateral contexts. The NAFTA sugar dispute must be resolved before the United States contemplates new agreements.

"Substantially all" precedent. WTO rules provide that free trade agreements should cover not all, but rather "substantially all," trade between participant countries. This provision has been invoked by the EU, Mexico, and other countries in the free trade agreements mentioned above that exclude sugar, or, in some cases, most agricultural products.

The U.S. sugar industry strongly believes that the "substantially all" provisions of the WTO should be a critical part of the U.S. negotiating position. Every country in the FTAA process wants to increase its exports to

the U.S. But in the unique case of sugar, increased exports would come at the expense of other developing countries and at great cost to American sugar producers.

4. **Increased potential for import-quota circumvention.** In a world market so rife with government distortions of markets, the incentive to evade measures for limiting the harmful impact of such unfair trade practices is very high. Many of these evasive schemes depend on exporting dump market sugar to countries that do not produce much or any sugar, where processors blend this dump market sugar with other products that are not subject to the measures that restrain unfair trade.

   Bilateral and regional free trade agreements can make this problem worse, by multiplying the number of such "blending platforms" to include virtually all the countries in the agreement. This is especially a problem in the Americas, where so many developing partners are sugar producers.

   These import-quota circumvention problems can be avoided by negotiating comprehensively, in the WTO. Or, the Executive Branch can try to address circumvention practices in regional and bilateral agreements, by explicitly and reliably preventing such schemes to avoid U.S. law.

5. **U.S. sugar market already oversupplied**. The U.S. sugar market does not require additional foreign sugar, through the FTAA or any other trade negotiation. Our market is oversupplied, and producer prices have been running at, or near, 22-year lows. The industry is in severe financial crisis.

   Domestic production rose because of a shift in acreage from other crops and because of excellent weather the past three years. Our foreign trade commitments prevented the government from reducing imports to offset the increased production. Furthermore, we experienced import-quota circumvention from Canada and over-quota imports from Mexico.

   This past year, American sugar producers forfeited sugar to the government in significant quantities for the first time since 1984, and the government is now holding nearly 800,000 tons of surplus sugar. Additional foreign sugar import requirements would be likely to depress the U.S. price, deepen the industry's financial crisis, and potentially result in additional forfeitures of sugar to the government.

Summary and Conclusion

As one of the world's largest importers of sugar, from a highly subsidized and distorted world market, the United States must be careful in approaching sugar trade negotiations, to ensure that commitments it makes in one region do not make achieving results in other regions difficult or impossible. This is not an issue when dealing with market access and market distortions on a comprehensive basis in the WTO.

The U.S. sugar industry strongly recommends that, within the framework of the FTAA, sugar be reserved for much needed, and more far reaching, disciplines in the multilateral, WTO context. To highlight the major reasons for this strategy:

- We are already there. FTAA countries already dominate to the U.S. sugar market – supplying upwards of 80 percent of U.S. sugar imports, at the preferential U.S. price, virtually all duty-free. We accept these imports, under international trade obligations, despite the fact that most of the 22 FTAA countries with shares of the U.S. import quota produce sugar at a higher cost than U.S. producers. The U.S. sugar market is not only the most open in the FTAA, but is already one of the most open in the world – the United States is consistently among the world's top four sugar importers.

- An FTAA that includes sugar would expose all Western Hemisphere countries to being overrun with subsidized exports from sugar-giant Brazil. Under an FTAA, the other 21 countries would likely lose their previously guaranteed share of the preferentially priced U.S. market to Brazil.

- There is ample precedent for excluding sugar. Sugar is unique among agricultural commodities, and for this reason has been excluded from most bilateral and regional trade agreements. The one exception is the U.S.-Mexico portion of the NAFTA, which is embroiled in controversy over disputed U.S.-Mexico sugar trade provisions.

- A regional trade agreement exposes countries within that area to unfair trade practices within the region, such as import-quota circumvention sugar-blending schemes, without addressing trade practices outside the free-trade area.

- The U.S. sugar market is currently badly oversupplied and in severe economic stress. This market could not accommodate additional required imports.

References

1/ LMC International Ltd., "*The Importance of the Sugar and Corn Sweetener Industry to the U.S. Economy*," Oxford, England, August 1994

2/ LMC International Ltd., "*The LMC Survey of Sugar and Production Costs: The 2000 Report*," Oxford, England, December 2000

3/ LMC International Ltd., "*Sugar Marketing Entities Around the World: A Profile of the Competitive Nature of World Trade*," Oxford, England, November 1996

4/ LMC International Ltd., "*Sugar Industries and Government Policies in the free Trade Area of the Americas*," Oxford, England, July 1998

5/ Alberto De Las Carreras, "*Sugar and Alcohol in the Mercosur*," Buenos Aires, 1998

6/ International Sugar Organization, "*An International Survey of Environmental Legislation and its Impact*," London, England, October 1995

7/ U.S. Department of Labor, "*By the Sweat and Toil of Children, Volume II: The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Child Labor*," Bureau of International Labor Affairs, Washington, D.C., 1995

8/ Peter Buzzanell & Associates, Inc., "*The Brazilian Sugar and Alcohol Industry: 2000 and Beyond*," Reston, Virginia, June 2000

9/ Papers presented on the topic of "*Brazil: The Wakening Giant*," at the International Sweetener Symposium, Napa, California, August 11, 1999, by: Simon Harris, British Sugar; Roberto Martins, Louis Dreyfus Sugar; and Jorge Zorreguieta, Centro Azucarero Argentino

10/ New York Times, "*Spoonfuls of Hope, Tons of Pain*," May 20, 2000

11/ Jennifer Nyberg, Commodities and Trade Division, Sugar and Beverages Group, Food and Agricultural Organization of the United Nations, "*Overview of Global Sugar Policies versus World Sugar Free Trade*," paper presented at the International Sweetener Symposium, Colorado Springs, Colorado, August 2000

Summary Table 1: Production, Trade and Export Potential, 1994/95-1997/98

Country	Average Cane Area Harvested ('000 hectares)	Average Sugar Production ('000 mt rv)	Average Net Exports ('000 mt rv)	Average Net Imports ('000 mt rv)	Export Potential		Key Points
					Total Sugar ('000 mt rv)	Refined Sugar[1] ('000 mt rv)	
Argentina	255	1,490	56	No	374	289	Production of sugar has been increasing since the industry was privatized in 1991. Refined sugar production runs well below capacity.
Brazil	1,658	14,155	5,699	No	7,607	2,759	61% of Brazil's sugarcane is used to produce ethanol (we have not included this cane in the area harvested column). Sugar production has increased rapidly in the 1990s. Brazil is now the world's biggest sugar exporter.
Chile	50	482	No	164	0	0	Chile relies on imports to bridge the gap between domestic beet sugar output and domestic demand. This situation is not likely to change in the near future.
Colombia	156	2,094	813	No	1,039	358	Sugarcane production in Colombia enjoys excellent growing conditions, making the industry very profitable. However, future expansion is constrained by land availability. Colombia is a major exporter to the region.
Cuba	1,300	3,818	3,258	No	3,874	979	Sugar production in Cuba has collapsed in recent years, though the country is still a major producer and exporter of raw sugar. The refining sector currently operates well below capacity.

Summary Table 1 (continued): Production, Trade and Export Potential, 1994/95-1997/98

Country	Average Cane Area Harvested ('000 hectares)	Average Sugar Production ('000 mt rv)	Average Net Exports ('000 mt rv)	Average Net Imports ('000 mt rv)	Export Potential		Key Points
					Total Sugar ('000 mt rv)	Refined Sugar[1] ('000 mt rv)	
Dominican Republic	205	606	270	No	437	34	The Dominican Republic is a major exporter of raw sugar to the United States under the Tariff Rate Quota. At present, it imports refined sugar to fulfill domestic requirements.
Guatemala	170	1,470	1,069	No	1,318	148	Guatemala has developed into a major sugar producer and exporter in recent years. 90% of refined sugar production is exported.
Mexico	570	4,884	554	No	1,173	683	The Mexican sugar industry has grown extremely rapidly in the 1990s, so that the country is now one of the world's biggest exporters of white sugar.
Peru	55	676	No	219	124	124	Sugar production in Peru deteriorated during the country's experiment with cooperative production structures. The government is now in the process of privatizing the industry and hopes to attract foreign investment to it.
Venezuela	112	575	No	336	288	288	Venezuela imports between 30% and 40% of its sugar needs. It does, however, possess substantial refining capacity which is at present underutilized.
Total	**4,530**	**30,251**	**11,719**	**720**	**16,233**	**5,661**	**Production in this table represents 26% of world production and 92% of Western Hemisphere production (both excluding the US), and of this, 40% is exported.**

Note: 1. Refined sugar export potential is calculated assuming that existing refineries are fully utilized at current capacities and that each country's autonomous refineries operate year-round, while their annexed refineries operate only for the duration of the country's cane crushing season. Amounts are presented in raw value for direct comparability.

Summary Table 2: Government Intervention and Marketing

Country	Extent of government control over:			
	Production	**Marketing**	**Trade**	**Prices**[1]
Argentina	No government control since 1991.	No government control since 1991. Marketing is controlled by individual mills.	20% tax plus variable duty on sugar imports. *WTO bound tariff rate: 38% (raw & white), effective by 2004/05*	No government control since 1991. Retail prices (1997): 27.1 US¢/lb (plant. white) 28.3 US¢/lb (refined)
Brazil	Government sets annual production plan for sugar and ethanol, and assigns mill-by-mill quotas to fill this plan.	No government control since 1990, when the Sugar and Alcohol Institute (IAA) was abolished. Marketing is controlled by individual mills.	Government sets export quotas; any sugar exported out of quota is subject to export tax. *WTO commitments, effective by 2004/05* *-bound tariff rate: 35% (raw & white)* *-subsidized export volume, max.: ca. 1.50 mn mt*	No government control of sugar prices since 1990 (IAA abolished); however, government will control ethanol price until October 1998. Retail prices (1997): 23.2 US¢/lb (plant. white) 27.2 US¢/lb (refined or *amorfo*)
Chile	No government control.	No government control. Marketing controlled by the single producer, IANSA.	Price band system of sugar import tariffs, additional to basic rate of 11%. *WTO bound tariff rate: 31.5% (raw & white), effective by 2004/05*	No government control. Retail price (1997): 28.5 US¢/lb (refined)
Colombia	No government control.	No government control. Domestic marketing is controlled by individual mills, while exports are handled by a single entity – CIAMSA.	Price band system of sugar import tariffs, additional to basic rate of 20%. *WTO commitments, effective by 2004/05:* *-bound tariff rate: 117% (raw & white)* *-subsidized export volume, max.: ca. 0.22 mn mt*	No government control. Retail prices (1997): 28.1 US¢/lb (plant. white) 29.7 US¢/lb (refined)
Cuba	Total government control of all aspects of production and processing.	A state-owned company, Cubazucar, is responsible for all domestic and export marketing.	All imports and exports are controlled by the state through Cubazucar. Import tariffs of 20% (raw) and 25% (white) *WTO bound tariff rate: 40% (raw & white), effective by 2004/05*	Government sets all domestic prices. Retail prices: plant. white only: 8.1 US¢/lb (ration card) 14.2 US¢/lb (free market estimate) *Note: Prices in US currency must be used advisedly, in view of the practical limitations of both the official and unofficial exchange rates.*

Summary Table 2 (continued): Government Intervention and Marketing

Country	Extent of government control over:			
	Production	**Marketing**	**Trade**	**Prices[1]**
Dominican Republic	One state-owned milling company competes with two private producers.	Marketing is controlled by individual mills.	28% tariff on refined sugar imports. WTO commitments, effective by 2004/05: *-bound tariff rate: 40% (raw & white)* *-minimum access quota (20% tariff): 23,000 mt*	Government sets maximum prices for domestic retail sugar sales. Retail prices (1997): 27.0 US¢/lb (plant. white) 41.5 US¢/lb (refined)
Guatemala	Production is coordinated by a Sugar Board, which includes government representatives; the Board sets production targets and minimum cane prices.	No government control. Domestic marketing is controlled by a single organization, DAZGUA.	55% tariff on sugar imports. *WTO bound tariff rate: 160% (raw & white), effective by 2004/05*	No direct government control; however, the government has in the past t aken action to prevent domestic prices from rising. Retail prices (1997): 28.5 US¢/lb (plant. white) 29.1 US¢/lb (refined) (LMC estimates, based on reported wholesale prices)
Mexico	No direct government control, though the government has in the past help ed ailing mills.	No government control. Mills are responsible for marketing.	Import tariff of US$396/mt. Under NAFTA, a tariff rate quota must be in place by 2000. *WTO commitments, effective by 2004/05* *-bound tariff rate: 156% (raw & white)* *-minimum access quota: 184,000 mt* *-subsidized export volume, max.: 1.26 mn mt.*	No direct government control since 1996. Retail prices (1997): 31.8 US¢/lb (plant. white) 33.6 US¢/lb (refined)
Peru	Government is in the process of privatizing the cooperative sugar production system.	Marketing is controlled by individual mills.	17% tariff plus variable levy on sugar imports. *WTO bound tariff rate: 68% (raw & white), effective by 2004/05*	No government control. Retail price (1997): 27.6 US¢/lb (plant. white) (LMC estimate, based on reported wholesale price)
Venezuela	No government control since privatization in 1989.	No government control. Marketing is in the hands of individual mills.	Imports are generally duty free as Venezuela has free trade agreements with Colombia and Guatemala, its main sugar suppliers. *WTO bound tariff rate: 105% (raw & white), effective by 2004/05*	The government sets maximum levels for retail sugar prices. Retail price (1997): 28.6 US¢/lb (refined)

Note: 1. Most of these countries sell plantation white sugar at the retail level. Plantation white sugar, however, is not refined and so is not directly comparable to the refined white sugar sold in the US and nor are its prices.